ABSTRACT OF THE DISCLOSURE

A computerized system creates and prices synthetic credit products on demand and distributes them to customers electronically through financial information systems and online trading websites. The system includes: (a) a Capacity Creation module for assessing the capacity of a defined financial market to absorb defined credit products at a minimum level of default risk; (b) a Product Creation module for creating synthetic credit products on demand, including a Product Creation engine for creating credit products matched to qualified reference entities based upon internal templates in accordance with the determined portfolio capacity; and (c) a Pricing Creation module which tracks financial, pricing, and interest rate data available from external sources, and determines the pricing of the credit products consistent with the determined portfolio capacity. The credit products may cover a wide range of conventionally known financial instruments, such as credit swaps, letters of credit, and credit insurance, which allow customers to trade and transfer the risks of various types of credit obligations (bond, loan, or receivable), as well as new types of credit risk transfer and enhancement products enabled by the invention system. Credit product sellers use these credit risk transfer, insurance, or enhancement products to isolate, modify, or unbundled credit risks from other risks found in obligations owed to them by third parties. These risks are transferred to credit risk buyers for a price that is based on the level of risk assumed. Credit products, particularly credit swaps, can also be used to construct a new generation of innovative structured products, such as credit-linked notes, synthetic CDOs, and principal-protected notes.